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Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 SAM-01 EB-11 AID-20 OMB-01 COME-00 FEA-02

TRSE-00 CIEP-03 DRC-01 /131 W
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R 011115Z SEP 74
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 1519

C O N F I D E N T I A L TRIPOLI 0972

E.O. 11652: GDS
TAGS: ENRG PINT
SUBJECT: ESSO CONFIDENCE IN LIBYAN OPERATIONS DECREASING

REF: TRIPOLI 967

1. ENCOURAGEMENT ESSO FELT FOUR MONTHS AGO FOLLOWING SIGNATURE OF "PRINCIPLES OF AGREEMENTS" WITH LARG IS FAST DISSOLVING AS RESULT OF LIBYAN INDECISION, INERTIA AND UNRESPONSIVENESS, ACCORDING TO ESSO LIBYA PRESIDENT COX. AT TIME OF SIGNING LIBYANS WERE DEMONSTRATING FEELING FOR MARKETS OF 1980'S, BUT PRESENT MOOD SHOWS NO SUCH FORESIGHT. IN ADDITION ESSO HAS RECEIVED SOMEWHAT OMINOUS "REMINDER" FROM PRIMIN JALLOUD THAT HE EXPECTS COMPANY TO INCREASE ITS OFFTAKE OF PARTICIPATION CRUDE. MOBIL IS FACED WITH SAME DIFFICULTIES, BUT ITS PROBLEM WITH OFFTAKE IS MORE ACUTE AND JALLOUD'S "REMINDER" TO MOBIL WAS NEARER TO "THREAT".

2. COX SAID ESSO WILL SOON BE MAKING MAJOR DECISIONS ON NEW PHASE OF ITS ACTIVITIES AND INVESTMENTS IN LIBYA. HE IS SERIOUSLY CONCERNED ABOUT LARG'S GROWING INABILITY TO COLLABORATE EFFECTIVELY WITH COMPANY. MOST SERIOUS PROBLEM IS RCC FAILURE YET TO ENACT PROMISED LAW EXEMPT-
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ING ESSO FROM TAXES ON ITS 19 PERCENT EQUITY IN NEW

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EXPLORATIONS. ESSO CANNOT COMMIT $90 MISSION WITHOUT
LEGAL ASSURANCE OF TAX STATUS.

3. COX CITED NUMBER OF INCIDENTS ILLUSTRATING MANAGEMENT
BREAKDOWNS ON PART OF LIBYANS IN DAY-TO-DAY OPERATIONS.
ESSO PLANE WHICH CWCRIES 300 PASSENGERS PER WEEK BETWEEN
TRIPOLI AND MARSA BREGA IS NOW DUE FOR OVERHAUL IN
EUROPE BUT NO REPLACEMENT PLANE HAS BEEN ORDERED.
IMPRMPERLY OBSERVED SURGE TANK IN PRODUCING FIELD
RESULTED IN FIRE WHICH FORTUNATELY DISCOVERED BEFORE
SERIOUS DAMAGE OCCURRED. COMPANY POSITIONS HAVE
BEEN LIBYANIZED FASTER THAN MANPOWER READIED FOR
RESPONSIBILITIES. COX MOST COGNIZANT LIBYAN MANPOWER
TALENTS OUT DESPAIRS IT BEING UTILIZED PROPERLY.

4. AT TIME OF ACCESSION TO PARTICIPATION, BOTH MOBIL
AND ESSO HAD NO RIGHT TO LIFT PARTICIPATION OIL UNTIL
AFTER 1 OCT. AS PARTICIPATION OIL HAS BECOME GLUT,
THIS HAS WORKED TO COMPANIES' ADVANTAGE BECAUSE THEY
HAVE HAD TO BUY ONLY LOWER PRICED EQUITY OIL. PETROLEUM
UNDERSECRETARY MUNTASSIR RELAYED TO ESSO AND MOBIL IN-
STRUCTIONS FROM JALLOUD URGING BOTH COMPANIES TO LIFT
PARTICIPATION CRUDE. MOBIL WAS ORDERED TO LIFT WITH
THREAT IT WOULD LOSE EQUITY RIGHTS; ESSO WAS ADVISED
LIFT AND TOLD OTHERWISE IT MIGHT LOSE EQUITY RIGHTS.
COX TOLD MUNTASSIR ESSO CRUDE PURCHASING TEAM WOULD FLY
HERE TO DISCUSS PRUCHASES AND PRICE AS SOON AS REQUESTED.

LIBYANS, HOWEVER, ARE NOT READY FOR THIS UNTIL AFTER
SEPT OPEC MEETING.

5. COX HAS SENT ONE OF HIS ASSISTANTS TO NEW YORK TO
DISCUSS SITUATION WITH COMPANY'S HEAD OFFICE. HE WISHED
TO BRIEF CHARGE AND SEEK OUR ESTIMATE OF CURRENT SITUATION
WITHIN LARG. WE GAVE HIM OUR ASSESSMENT OF GOVERNMENTAL
DRIFT AND
APATHY ALONG LINES OF TRIPOLI 967. ESSO'S
EXPERIENCES POINT IT IN SPECIFIC FORM GENERAL PROBLEM
WE SEE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, POLITICAL SITUATION, CENTRAL GOVERNMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 01 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TRIPOL00972
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740242-1069
From: TRIPOLI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740981/aaaacqsc.tel
Line Count: 107
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: TRIPOLI 967
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 17 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 JUL 2002 by kelleyw0>; APPROVED <24 MAR 2003 by GolinoFR>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ESSO CONFIDENCE IN LIBYAN OPERATIONS DECREASING
TAGS: ENRG, PINT, ESSO, MOBIL, (COX)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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